

# **SAN DIEGO UNIFIED SCHOOL DISTRICT**

Revised Audit Report

## **GRADUATION REQUIREMENTS PROGRAM**

Chapter 498, Statutes of 1983

*July 1, 1999, through June 30, 2002*



**JOHN CHIANG**  
California State Controller

March 2007



**JOHN CHIANG**  
**California State Controller**

March 30, 2007

Carl A. Cohn, Ed.D., Superintendent  
San Diego Unified School District  
4100 Normal Street, Room 2219  
San Diego, CA 92103

Dear Mr. Cohn:

The State Controller's Office audited the costs claimed by the San Diego Unified School District for the legislatively mandated Graduation Requirements Program (Chapter 498, Statutes of 1983) for the period of July 1, 1999, through June 30, 2002. This final report supersedes the original final report issued October 22, 2004.

We are reissuing the report to allow all costs claimed as a result of the Commission on State Mandates' (COSM) adoption of our reevaluation concerning the Sacramento County Superior Court case decision *San Diego Unified School District et al. v. Commission on State Mandates et al.*, Case No. 03CS01401.

The district claimed \$5,492,915 for the mandated program. Our audit disclosed that the entire amount is allowable. The State paid the district \$2,897,305. The State will pay allowable costs claimed that exceed the amount paid, totaling \$2,595,610, contingent upon available appropriations.

If you have any questions, please contact Jim L. Spano, Chief, Compliance Audits Bureau, at (916) 323-5849.

Sincerely,

*Original signed by*

**JEFFREY V. BROWNFIELD**  
Chief, Division of Audits

JVB/ams:vb

cc: Randolph E. Ward, Ed.D., County Superintendent of Schools  
San Diego County Office of Education  
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# Revised Audit Report

## Summary

The State Controller's Office (SCO) audited the costs claimed by San Diego Unified School District for the legislatively mandated Graduation Requirements Program (Chapter 498, Statutes of 1983) for the period of July 1, 1999, through June 30, 2002. The last day of fieldwork was April 29, 2003.

The district claimed \$5,492,915 for the mandated program. Our audit disclosed that the entire amount is allowable. The State paid the district \$2,897,305. The State will pay allowable costs claimed that exceed the amount paid, totaling \$2,595,610, contingent upon available appropriations.

## Background

*Education Code* Section 51225.3 (added by Chapter 498, Statutes of 1983) requires that beginning with the 1986-87 school year, no pupil shall receive a high school diploma without completing an additional science course above that which was required. The legislation was effective in fiscal year (FY) 1983-84; however, a district had up to three years to implement this requirement. Prior to enactment of Chapter 498, Statutes of 1983, one science course was required. As a result of this enactment, two science courses, one each of biological and physical sciences, are now required.

On November 20, 1986, the Commission on State Mandates (COSM) determined that Chapter 498, Statutes of 1983, imposed a state mandate reimbursable under *Government Code* Section 17561.

*Parameters and Guidelines* establishes the state mandate and defines reimbursement criteria. COSM adopted the *Parameters and Guidelines* on March 23, 1988, and last amended it on January 24, 1991. In compliance with *Government Code* Section 17558, the SCO issues claiming instructions for mandated programs, to assist local agencies and school districts in claiming reimbursable costs.

## Objective, Scope, and Methodology

We conducted the audit to determine whether costs claimed represent increased costs resulting from the Graduation Requirements Program for the period of July 1, 1999, through June 30, 2002.

Our audit scope included, but was not limited to, determining whether costs claimed were supported by appropriate source documents, were not funded by another source, and were not unreasonable and/or excessive.

We conducted the audit according to *Government Auditing Standards*, issued by the Comptroller General of the United States, and under the authority of *Government Code* Sections 12410, 17558.5, and 17561. We did not audit the district's financial statements. We limited our audit scope to planning and performing audit procedures necessary to obtain reasonable assurance that costs claimed were allowable for reimbursement. Accordingly, we examined transactions, on a test basis, to determine whether the costs claimed were supported.

We limited our review of the district's internal controls to gaining an understanding of the transaction flow and claim preparation process as necessary to develop appropriate auditing procedures.

We asked the district's representative to submit a written representation letter regarding the district's accounting procedures, financial records, and mandated cost claiming procedures as recommended by *Government Auditing Standards*. However, the district did not submit a representation letter.

## Conclusion

For the audit period, San Diego Unified School District claimed \$5,492,915 for costs of the Graduation Requirements Program. Our audit disclosed no material instances of noncompliance with the requirements outlined above. The State paid the district \$2,897,305. The State will pay allowable costs claimed that exceed the amount paid, totaling \$2,595,610, contingent upon available appropriations.

## Views of Responsible Official

We issued a draft audit report on February 26, 2004, disallowing all costs claimed. Art Palkowitz, Manager, Office of Resource Development, responded by memorandum dated March 19, 2004, disagreeing with the audit results.

Subsequent to the issuance of the final report on October 22, 2004, the COSM directed us to reconsider our position in light of the Sacramento County Superior Court case decision *San Diego Unified School District et al. v. COSM et al.*, Case No. 03CS01401. The COSM interpreted the court's decision that we could only consider offsetting savings that directly result from the implementation of the mandate program. Absent a direct relationship between the implementation of the mandate and reduction in non-science classes, we cannot consider any offsetting savings. However, costs claimed that are funded by restricted resources do result in offsetting savings.

We reevaluated the claim using a methodology that considered staffing needed to teach the additional year of science and costs funded by restricted resources. The district submitted supporting documentation using this method that fully supports the costs claimed.

On February 20, 2007, we contacted Art Palkowitz and provided him an update as to the disposition of the audit report and our intent to reissue it based on the supporting documentation provided. Mr. Palkowitz responded that he agreed with the audit revisions resulting in the allowance of all costs claimed.

## **Restricted Use**

This report is solely for the information and use of San Diego Unified School District, the San Diego County Office of Education, the California Department of Education, the California Community Colleges Chancellor's Office, the California Department of Finance, and the SCO; it is not intended to be and should not be used by anyone other than these specified parties. This restriction is not intended to limit distribution of this report, which is a matter of public record.

*Original signed by*

JEFFREY V. BROWNFIELD  
Chief, Division of Audits

**Revised Schedule 1—  
Summary of Program Costs  
July 1, 1999, through June 30, 2002**

<u>Cost Elements</u>	<u>Actual Costs Claimed</u>	<u>Allowable per Audit</u>
<u>July 1, 1999, through June 30, 2000</u>		
Salaries and benefits	\$ 1,898,842	\$ 1,898,842
Materials and supplies	91,142	91,142
Total direct costs	1,989,984	1,989,984
Indirect costs	83,977	83,977
Total costs	<u>\$ 2,073,961</u>	2,073,961
Less amount paid by the State		(607,798)
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 1,466,163</u>
<u>July 1, 2000, through June 30, 2001</u>		
Salaries and benefits	\$ 1,490,193	\$ 1,490,193
Materials and supplies	19,329	19,329
Total direct costs	1,509,522	1,509,522
Indirect costs	62,645	62,645
Total costs	<u>\$ 1,572,167</u>	1,572,167
Less amount paid by the State		(1,095,223)
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 476,944</u>
<u>July 1, 2001, through June 30, 2002</u>		
Salaries and benefits	\$ 1,749,034	\$ 1,749,034
Materials and supplies	41,529	41,529
Total direct costs	1,790,563	1,790,563
Indirect costs	56,224	56,224
Total costs	<u>\$ 1,846,787</u>	\$ 1,846,787
Less amount paid by the State		(1,194,284)
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 652,503</u>
<u>Summary: July 1, 1999, through June 30, 2002</u>		
Salaries and benefits	\$ 5,138,069	\$ 5,138,069
Materials and supplies	152,000	152,000
Total direct costs	5,290,069	5,290,069
Indirect costs	202,846	202,846
Total costs	<u>\$ 5,492,915</u>	5,492,915
Less amount paid by the State		(2,897,305)
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 2,595,610</u>



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